

# STATE OF COLORADO

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## **Colorado Council on the Arts PERFORMANCE PAY PROGRAM**

### **PROGRAM OVERVIEW**

The Colorado Council on the Arts has a staff of 8, of which 7 are exempt and 1 is classified. Exempt staff have historically been reviewed and rewarded based on a merit system, while classified staff have been compensated according to the state classification system. In the fall of 1997, the agency's classified staff elected to participate in the first phase of Peak Performance because they, too, wanted to be evaluated and compensated based on the merit of their work.

Our goal in implementing Performance Pay System is to create a single performance management and evaluation system for all of our employees. We have taken the best of the evaluation and review tools used for the exempt staff, and have incorporated new parameters to meet the Performance Pay System rules and procedures. All employees have been notified of the Performance Pay System plan and have received a copy of the plan. New employees will be given a copy of the plan upon orientation.

### **PERFORMANCE MANAGEMENT**

#### *Performance Planning*

A planning session will be scheduled between the supervisor and the employee at least 30 days before the beginning of the new fiscal year. At this meeting, the employee's work priorities, continuing activities, and work goals for the upcoming year will be discussed. Based on this discussion, a performance plan for the upcoming fiscal year is to be prepared for each employee by June 15. The plan consists of the following:

**Work plan**, written by the employee in consultation with the supervisor, which delineates the employee's work priorities, continuing work activities as delineated in their position's PDQ or job description, and goals for the upcoming year. The work plan will describe how the employee's priorities and goals related to agency goals and statewide uniform core competencies, defined by the State Personnel Director.

**Individual performance measures**, identified jointly by employee and the supervisor and related to priorities, goals and expectations included in the employee's annual work plan.

**Training and/or professional development plan**, written jointly by the employee and the supervisor, identifying specific training and/or professional development activities that will help the employee reach or exceed his or her performance plan.

**Supervisory plan** that measures and evaluates the effectiveness of supervisor's performance management of their employees. Supervisors are also required to develop their own supervisory training and/or development plans. Performance management training is mandatory for all supervisors. The detailed training will include information on the performance management plan,

coaching and evaluation techniques, states guidelines and statutes, and dispute resolution guidelines.

### *Performance Appraisal*

Supervisors will provide on-going coaching and progress review of employees during the evaluation period. At least one coaching or progress review meeting at mid-point in the rating period will be documented, identifying strengths, accomplishments, areas requiring further development and/or training, and any adjustments to the work plan.

Rating periods will be twelve months in most cases. However, rating periods for new employees and employees receiving overall evaluations of "Needs Improvement" will be no longer than six months.

All employees will be evaluated in writing annually by June 15 of each year, based on their job performance during the previous year. Annual, written performance appraisals will include evaluations of an employee's performance on statewide uniform core competencies and at least two individual performance measures. Core competencies are defined by the State Personnel Director. All positions will have at least two (no more than three) additional Individual Performance Measures related to the employee's work plan. Additionally, Supervision/People Management will be considered for positions that supervise others.

Annual evaluations of employees will include consideration of the following information:

**Feedback from other external sources** (e.g. constituents, council members, other state employees with whom the employee has worked during the rating period).

**Employee Self-Evaluation.** Each employee will provide his/her supervisor with a self-evaluation form no later than 30 days before the end of a rating period. The employee, reflecting on work priorities, continuing activities and goals stated in the work plan, will assess those activities that went as expected, exceeded expectations or fell below expectations. Employees will also identify his/her contributions toward achieving agency goals.

The supervisor will complete a final performance evaluation, rating the employee's effectiveness on each factor. (See attached Performance Management Plan and Evaluation form.) Departments choose their own labels for the rating levels. Performance will be rated based on four levels, on a 1 to 4 numerical scale, with the first level indicating unsatisfactory performance:

- |                                    |  |
|------------------------------------|--|
| <b>Level 1 - Needs Improvement</b> | Employee does not meet expectations, standards for the agency and requirements of the position.  |
| <b>Level 2 - Satisfactory</b>      | Employee meets expectations, standards for the agency and requirements of the position. Employee contributes to agency achievement.  |
| <b>Level 3 - Commendable</b>       | Employee exceeds expectations, standards for the agency and requirements of the position. Employee consistently contributes to agency achievement.   |
| <b>Level 4 – Outstanding</b>       | Employee consistently exceeds expectations, standards for the agency and requirements of the position. Employee is an exceptional role model and improves the work of the agency through his/her contributions. This level is difficult to achieve because it represents consistently exceptional performance or achievement beyond the regular assignment |

Determination of overall rating will be calculated as an average of all evaluation factors:

Needs Improvement: 0 -1.5

Satisfactory: 1.6 - 2.5

Commendable: 2.6 - 3.5

Outstanding: 3.6 - 4.0

A Level 1 rating denoting unsatisfactory performance will result in a performance improvement plan or a corrective action. The employee will be given six months in which to improve. If performance is still unsatisfactory at conclusion of the six-month rating period, a corrective action is given. Subsequently, if performance does not improve after corrective action is given, a disciplinary action shall be taken.

All Performance Evaluations will be reviewed by the Executive Director prior to presenting the evaluation to the employee. The Executive Director is responsible for ensuring fairness, accuracy and consistent ratings and awards across supervisors and raters. Statewide uniform core competencies will not be disregarded in the final rating for each employee. The Executive Director will not set quotas or force distribution in determining the number of ratings in any of the four performance levels.

#### *Supervisory Accountability*

If a supervisor fails to prepare a plan and/or evaluation within prescribed timeframes, the next level supervisor is responsible for completing the plan and/or evaluation. If neither of the supervisors develops a plan and/or evaluation, the Executive Director will complete the planning and/or evaluation with the employee as required by state law.

Supervisors who fail to plan with and evaluate their employees are subject to corrective action under CRS 24-50-118, including imposition of one or more of the following sanctions:

- Suspension without pay in five day increments.
- Lack of performance award.

### **PERFORMANCE-BASED PAY**

Permanent employees are eligible for performance awards each year. The Executive Director will make pay decisions based on the evaluations completed by supervisors and raters and within the boundaries of Colorado Performance Pay System. The annual total compensation survey will be conducted according to statute.

Annual base and non-base building awards will be a percentage of salary, effective on the statewide common date of July 1. The pay range maximum or upper limit on base building awards will be set at what is called traditional maximum (formerly set 7) in the state's current compensation plan. The 5-year rate (formerly step 6) and job rate will be eliminated. The performance pay system allows the payment of non-base building awards. All awards are subject to available funding and no award will be guaranteed.

Teamwork will be measured as a component of an employee's performance plan and awards (base building and non-base building) proportioned accordingly. CCA supervisory training and communication with employees will encourage the use of the variety of non-salary and monetary incentives currently available in the state personnel system to supplement salary-based performance awards, including flex-time and flex-place, matching pay, signing bonus, referral bonus, acting differentials, critical project differentials and critical skill retention differential.

#### *Award Eligibility*

Employees receiving an overall, annual Level 1 evaluation, Needs Improvement, are not eligible for a performance reward.

Employees earning below the pay range maximum who receive an overall, annual evaluation at level 2 through Level 4 (Satisfactory, Commendable or Outstanding), are eligible for base building, non-base building, or a combination of awards. No base building award can be granted that results in a base salary that exceeds the pay range maximum. Awards to employees with base salaries below range maximum shall be base building with exceptions, such as: one-time/special projects, consistency of performance,

temporarily expanded workload during performance cycle, position range and peer group/internal equity. For Level 2 (Satisfactory) and Level 3 (Commendable) performers, a combination of awards cannot be granted that result in a dollar amount greater the pay range maximum. Furthermore, only Level 4 (Outstanding) performers may, at the sole discretion of the Executive Director, be granted a non-base building award that results in a dollar amount above the pay range maximum.

For employees earning the pay range maximum, only Level 4 (Outstanding) performers are eligible for performance-based awards. Payment of awards for those at the maximum of the pay range is limited to non-base building awards, at the sole discretion of the Executive Director. Level 2 (Satisfactory) and Level 3 (Commendable) performers at the maximum of the pay range are not eligible for any performance award.

The Executive Director will review each supervisor's employee review to monitor the quality and consistency of performance ratings within the department before the final overall ratings are provided to employees.

### *Award Setting*

The State Personnel Director will recommend and publish annually, in the conjunction with the Total Compensation Survey on December 1, the maximum percentage for awards statewide. Regardless of performance level, an employee cannot be granted an award or combination of awards greater than the statewide performance award maximum. The award percentage for each successive higher level of performance must be greater than the maximum award percentage for the lower level, e.g. the minimum award for percentage for above standard must be greater than the maximum award for satisfactory. The minimum award for satisfactory must be more than 0%.

Therefore, CCA's Executive Director will specify the maximum award percentages for Levels 2 (Satisfactory) and 3 (Commendable), based on the organization's budget, employee demographics, and distribution of ratings. The award percentage may be a range for each level. The minimum award for Level 2 (Satisfactory) is more than zero. The maximum award set for Level 2 (Satisfactory) will be the minimum award set for Level 3 (Commendable); and the maximum award for Level 3 (Commendable) will be the minimum award for Level 4 (Outstanding). The maximum award for Level 4 (Outstanding) will be the maximum percentage set annually by the State Personnel Director.

The minimum award for employees earning the pay range maximum is set at zero, because payment of these awards is at the sole discretion of CCA's Executive Director.

### *First-Year Transition*

With a common payment cycle, all classified employees currently on an anniversary date evaluation cycle need to be moved to common evaluation and pay dates. (Non-classified employees, whose contracts extend for the duration of a fiscal year, will not be affected by this transition.) For the first year transition to a common date, state agencies will use an individual, employee-based annualization process. Awards for each level of performance will be specified as a percentage of salary. In the first year of implementation of the Colorado Performance Pay System, this percentage will be calculated by first determining the award percentage as in any other year. Then, each classified employee's actual dollar award will be calculated based on his/her anniversary date. That dollar amount will be spread over the entire year (12 months) instead of only the months after the employee's anniversary date. The formula for this calculation is:

1. Employee's monthly base salary X award percentage X number of months after the anniversary date = dollar amount of first year award.
2. Dollar amount of first year performance award divided by 12 = monthly performance award.
3. Monthly performance award divided by employee's monthly base salary = first year performance award percentage.

In subsequent years, this calculation will be unnecessary because the funding available for performance awards will not be limited by the need to annualize anniversary increases.

## **DISPUTE RESOLUTION PROCESS**

Employees may question certain matters regarding performance plans and ratings through the State Personnel Director's dispute resolution system. The purpose of the dispute resolution system is to create an open and impartial opportunity that allows the parties to have issues heard. Employees will annually, will be given a description of the internal dispute resolution process including timeliness and the name/position of the appointing authority.

The State Personnel's Director's dispute resolution system has two stages – an internal one within CCA and an external one administered by the Department of Personnel. Employees are encouraged to resolve disputes informally at the lowest level before using the dispute resolution system.

During the dispute resolution process, no party has absolute right to legal representation, but may have an advisor present. The parties are expected to represent and speak for themselves. (The definition of an advisor is included in the State Personnel Director's Procedures.)

Only issues originally present in writing shall be considered through the dispute resolution process. Furthermore, retaliation against any person involved in the dispute resolution process is prohibited.

### *Internal Dispute Resolution Process*

Annually at the time of evaluation, employees will be provided with a description of CCA's internal dispute resolution process, including timelines. Employees may dispute only the following issues:

- 1) their own performance plan (or lack of plan)
- 2) their own performance evaluation (including lack of a final evaluation)
- 3) application of the agency performance management program, policies or processes to the individual employee's performance plan and/or final evaluation
- 4) full payment of a reward.

The following issues are not disputable:

- 1) content of CCA's performance management plan
- 2) matters related to the funds appropriated
- 3) performance evaluations and rewards of other employees
- 4) amount of a performance reward, including whether it is base or non-base building, any combination or none, unless the issue involves the application of the agency's performance plan.

The Council's Executive Director shall be the decision-maker in the internal dispute resolution process. If an employee has a dispute, he/she must submit in writing to the Executive Director a request for an internal dispute resolution review within seven working days of the disputed incidence. Only issues originally presented in writing shall be considered throughout the review process. CCA's Executive Director must respond to a written request for review within seven working days of receiving it.

CCA's Executive Director is limited to addressing facts surrounding the current action and shall not substitute his/her judgement for that of the rater or reviewer, but may instruct the employee's supervisor to:

- 1) follow the agency plan
- 2) correct errors
- 3) reconsider a performance plan or rating, or
- 4) suggest other appropriate processes such as mediation.

The Executive Director cannot render a decision that would alter the agency's performance management plan. The Executive Director's decision shall be submitted in writing to the employee within 14 working days, and shall be added to the employee's personnel file.

The Executive Director's decision will include written notice that the employee may, after completion of the internal process, submit a request to the State Personnel Director (external process), provided it concerns the application of the agency's plan, full payment of a reward (if relevant) or the application of the agency performance management program, policies or processes to the individual employee's performance plan and/or final evaluation. Notice will include deadlines for filing a request for external review, list of what must be included in the request, and the address for filing.

Final resolution of issues concerning the individual's performance plan (or lack of plan) and the individual's performance evaluation shall occur at the internal level. Employees will have no further recourse for resolution of these disputes.

#### *External Dispute Resolution Process*

Disputes concerning application of CCA's performance management program, policies or process, or full payment of a reward (if relevant) may proceed beyond the agency to the State Personnel Director after completion of the internal process. Employees must request external dispute resolution to the State Personnel Director within five working days of the final decision of CCA's Executive Director. This request must include copies of the original issues and the final decision.

The State Personnel Director has jurisdiction for disputes related to performance evaluations except those performance evaluations that result in corrective or disciplinary action or allege discrimination which are grievable to the State Personnel Board.

### **ANNUAL REPORTING**

The dollars expended under Performance Pay System will be tracked, and performance and award information will be reported to the State Personnel Director on an annual basis. The report will include total dollars appropriated for performance awards for prior fiscal year, total amount of those appropriated dollars awarded to employees for performance awards, and total amount of dollars awarded for each performance category.